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Tax Updates for 2023 & 2024

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Topics Covered

- Proposed Tax Changes – Tax Relief for American Families & Workers Act of 2024
- Sunsetting of Tax Cuts & Jobs Act (TCJA) Provisions in 2026
- Inflation Reduction Act New Tax Credit Updates
  - Electric Vehicle Credits
  - Residential/Commercial Energy Credits
- Tax Bracket Information for 2023 & 2024
- State Tax Updates
  - LB754
  - Opportunity Scholarships Act
  - Proposed Changes in Current Legislative Session

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Proposed Tax Changes - Overview

Tax Relief for American Families & Workers Act of 2024

- Overall, significant change has been lacking over the last several years, with the split Congress
- Within the last several weeks, Congress has materialized a bipartisan bill, with the hopes of getting it passed in the coming weeks
  - After the introduction, it made it out of the House Ways & Means Committee on a 40 to 3 vote
- One important note of this bill is that many of the tax changes are temporary – through the end of 2025
  - This is done to mirror the Tax Cuts & Jobs Act, with many of those items sunsetting at the end of 2025
  - The goal is to give the next President/Congress the ability to steer tax policy moving forward, though this also creates the risk of more confusion and uncertainty
- More to do to get this bill passed, but there's been a lot of promise in a short amount of time

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Proposed Tax Changes - Details

Tax Relief for American Families & Workers Act of 2024

- Child Tax Credit
  - Inflation adjustment for the $2,000 credit for 2024 & 2025
  - Increases the amount of the credit that is refundable - $1,800 in 2023, $1,900 in 2024, & $2,000 in 2025 (compared to $1,600)
- Bonus/Section 179 Depreciation
  - Extends 100% Bonus Depreciation through 2025 (currently set to be 80% in 2023, 60% in 2024, & 40% in 2025)
    - Bonus would still continue on current schedule of going to 20% in 2026 and 0% in 2027, pending further updates
  - Section 179 Depreciation sees modest growth in dollar limitations
- Research & Development Costs
  - Delays change that forced businesses to amortize R&D costs over five years from 2022 to 2026; impacted entities could correct impact on 2022 returns already filed
- Interest Expense Limitation
  - Reverts to a more favorable calculation for taxpayers impacted by 163J (generally, only applies to large entities)
- Employee Retention Credit (ERC)
  - Funding for this bill largely comes from cutting off the ERC
  - While the ERC was designed to help businesses, the IRS has seen a LOT of abuse/false claims – total amount of filings is roughly 4 times what Congress estimated
  - Currently, businesses have until either April 2024 or April 2025 to file additional ERC claims; this bill would change the cut-off for filing these claims to **January 31, 2024**

Upcoming Tax Changes

Sunsetting of Many Tax Cuts & Jobs Act (TCJA) Provisions

- Most provisions of the TCJA impacting individual taxpayers will sunset at the end of 2025 without Congress intervening – and that is fast approaching!
  - Different parties have different plans – Republicans want to extend the provisions of this bill & Democrats want to curb some of these items
- Changes include:
  - Removal of Qualified Business Income (QBI) Deduction – 20% Deduction
  - Standard Deductions Reduced to 50% of Current Values
  - $10,000 SALT Cap for Itemized Deductions Removed
  - Allowance of 2% Miscellaneous Itemized Deductions Restored
  - Deduction of Personal Casualty Losses Restored
  - Return to Pre-2018 Tax Rates (Maximum of 39.6%) & Tighter Tax Brackets
  - Estate/Gift Tax Exemption Amounts Cut in Half

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Inflation Reduction Act of 2022

Electric Vehicle Credits

- $7,500 Credit for New Vehicles no longer capped based on manufacturer limits
  - Makes credit available again for brands like Tesla, GM, & Toyota
- Limitations to New Credit:
  - MSRP ($55,000 for Cars & $80,000 for Trucks/SUVs)
  - Income (Single Filers under $150,000 and Married under $300,000)
    - Based on either current OR prior year Adjusted Gross Income
  - Part Sourcing of Battery Components and Final Assembly of Vehicles – US Based
- $4,000 for certain previously owned electric vehicles
  - More than two calendar years old and under $25,000
- Dealers are able to give buyers an advance of the credit beginning in 2024

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Inflation Reduction Act of 2022

Business Energy Credits

- Clean Energy Investments
  - Credits for businesses creating certain energy investments, such as solar, wind, clean electricity, and clean fuel production
  - Generally, extensions of existing credits that were set to expire
  - Significant credits for some of this work – 30% as a standard credit, but ability to get a 40% credit
  - Opportunity for nonprofits to monetize the credit from the IRS and businesses to sell the credits to other businesses that could better utilize the credits
    - Final guidance/processes on these components of the credits still pending
    - These rules have the potential to be one of the most exciting parts of the IRA
- Carbon Oxide Sequestration Credit Extended through 2032 and credit increased
- Section 179D credits for energy-efficient commercial building construction

Inflation Reduction Act of 2022

Residential Energy Credits

- Nonbusiness Energy Property Credit
  - Credit for improvements such as insulation, windows, doors, roofing, water heaters, heat pumps, furnaces, AC systems, and other similar property
  - Credit is 30% of the purchase price, with a cap of $1,200 per year, capped at $600 per type of item
  - Previously, the credit was 10% and had a lifetime cap of $500
- Residential Energy Efficient Property Credit
  - Credit for implementing systems that function under solar, fuel cell, wind, and geothermal power, as well as battery storage
  - Credit is 30% of the cost from 2022 through 2032, then ramps down in 2033 and 2034 before expiring

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Individual Income Tax Brackets

2023

2023 Tax Brackets for Single Filers, Married Couples Filing Jointly, and Heads of Households

Rate	For Unmarried Individuals	For Married Individuals Filing Joint Returns	For Heads of Households
10%	$0 to $11,000	$0 to $22,000	$0 to $15,700
12%	$11,001 to $44,725	$22,001 to $89,450	$15,701 to $59,850
22%	$44,726 to $95,375	$89,451 to $190,750	$59,851 to $95,350
24%	$95,376 to $182,100	$190,751 to $364,200	$95,351 to $182,100
32%	$182,101 to $231,250	$364,201 to $462,500	$182,101 to $231,250
35%	$231,251 to $578,125	$462,501 to $693,750	$231,251 to $578,100
37%	$578,126 or more	$693,751 or more	$578,101 or more

Source: Internal Revenue Service. Tables from https://taxfoundation.org/2023-tax-brackets

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Individual Income Tax Brackets

2024

2024 Tax Brackets for Single Filers, Married Couples Filing Jointly, and Heads of Households

Rate	For Unmarried Individuals	For Married Individuals Filing Joint Returns	For Heads of Households
10%	$0 to $11,600	$0 to $23,200	$0 to $16,550
12%	$11,601 to $47,150	$23,201 to $94,300	$16,551 to $63,100
22%	$47,151 to $100,525	$94,301 to $201,050	$63,101 to $100,500
24%	$100,526 to $191,950	$201,051 to $383,900	$100,501 to $191,950
32%	$191,951 to $243,725	$383,901 to $487,450	$191,951 to $243,700
35%	$243,726 to $609,350	$487,451 to $731,200	$243,701 to $609,350
37%	$609,351 or more	$731,201 or more	$609,351 or more

Source: Internal Revenue Service. Tables from https://taxfoundation.org/data/all/federal/2024-tax-brackets

Inflation-Adjusted Standard Deductions

2023 & 2024

2023 Standard Deduction

Filing Status	Deduction Amount
Single	$13,850
Married Filing Jointly	$27,700
Head of Household	$20,800

Source: Internal Revenue Service. Tables from https://taxfoundation.org/2023-tax-brackets/

2024 Standard Deduction

Filing Status	Deduction Amount
Single	$14,600
Married Filing Jointly	$29,200
Head of Household	$21,900

Source: Internal Revenue Service. Tables from https://taxfoundation.org/data/all/federal/2024-tax-brackets/

State Tax Updates

LB754

- Signed into law on May 31, 2023 – signature set of tax updates under Governor Pillen
- Highlights include:
    - Pass-Through Entity Tax (PTET) – Discussed Later
    - Acceleration of Social Security Phase-Out
        - 60% Excludable in 2023
        - 100% Excludable in 2024
    - Reduction in Top Nebraska Tax Brackets to 3.99%
        - Detail on Next Slide
- Child Care Tax Credit Act (Refundable Credit)
    - Available to dependents five years of age or less
    - $2,000 credit available for household income below $75,000
    - $1,000 credit available for household income between $75,000 - $150,000
- Child Care Program (Nonrefundable Credit)
    - 75% or 100% (Opportunity Zone) nonrefundable credit for qualifying contributions that support a licensed child care program

State Tax Updates

LB754 Tax Bracket Reductions

- Individuals
  - 6.84% in 2022
  - 6.64% in 2023
  - 5.84% in 2024
  - 5.20% in 2025
  - 4.55% in 2026
  - 3.99% in 2027
- Corporations
  - 5.58% Up to $100,000 then 7.5% in 2022
  - 5.58% Up to $100,000 then 7.25% in 2023
  - 5.58% Up to $100,000 then 5.84% in 2024
  - 5.20% Flat Rate in 2025
  - 4.55% Flat Rate in 2026
  - 3.99% Flat Rate in 2027

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State Tax Updates

Pass-Through Entity Tax (PTET)

- PTET legislation is a way to get around the $10,000 State & Local Tax (SALT) cap for itemized deductions; where taxpayers lose a federal deduction for their state taxes
- Nebraska joins majority of states to offer this law (36 out of 42 states/territories with state income taxes have a similar law, with 3 states having proposed legislation)
  - IRS has blessed, in concept, this deduction, though actual guidance has not yet been issued
- Nebraska has a somewhat unique retroactive credit to claim for past years
  - Covers 2018 through 2022
- Election is made at the entity level, not on an owner-by-owner basis
- Under this, a Partnership or S Corporation elects to pay its tax on behalf of its owners, creating a federal business deduction for those taxes
- Some unique planning and consideration needs to be had with some entities

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State Tax Updates

Opportunity Scholarships Act

- LB753 creates a nonrefundable tax credit, capped at 50% of your state tax liability, for contributions to nonprofits that grant scholarships to attend private schools
  - This is a dollar-for-dollar credit; a $100 donation can create a $100 tax credit
  - Eligible only to Nebraska Residents
  - Total Credits limited to $25 million for 2024, 2025, & 2026
    - After this, if at least 90% of the credits are used, the limits the following year increase 25% up to $100 million
  - $100,000 deduction limit for individuals and business entities
  - $1 million deduction limit for estates and trusts
  - Entities will have to register with Nebraska to be qualified to receive these donations, and the state will be able to certify that there are credits available for you before you make the donation
    - Nebraska estimates that the limit on the credit will be hit for the next three years
- This is on the 2024 election ballot for a possible repeal
  - The NDOR has confirmed that donations made prior to the election will still be eligible for the tax credit, even if the law gets repealed

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State Tax Updates

Upcoming Changes – Current Legislative Session

- The Legislative Session is currently under way for the State of Nebraska, and a new tax package is currently in the works
- Details are still being worked out, but a major focus is on property tax reductions
- Likely, the offset to property tax cuts will come in the form of increased sales tax rates
- The Governor opposes a proposed "EPIC Option" that would replace most taxes in the state with a consumption tax
    - Overall, this option has some concerns with the methods and calculations

Contact Information

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